

Message Text

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EUR - MR. HARTMAN

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TO USDEL SECRETARY PRIORITY

C O N F I D E N T I A L STATE 043442 TOSEC 040231

E.O. 11652: GDS

TAGS: EEC, ETRD

SUBJECT: PRESIDENT'S MEETING WITH EC PRESIDENT ORTOLI -
TRADE ISSUES

THE FOLLOWING IS A BRIEFING MEMO I HAVE SENT THE PRESIDENT
FOR HIS FEBRUARY 24 MEETING WITH EC PRESIDENT ORTOLI,
INFORMING HIM OF ORTOLI'S STRONG PITCH ON PROTECTIONISM
AT MY LUNCHEON FOR HIM TODAY. I WILL BE ATTENDING THE
PRESIDENT'S MEETING WITH ORTOLI, AS WILL STR DENT AND
SEIDMAN.

BEGIN TEXT.

MEMORANDUM FOR: THE PRESIDENT

FROM: ROBERT S. INGERSOLL, ACTING SECRETARY

SUBJECT: YOUR MEETING WITH EC PRESIDENT ORTOLI,
9:30 A.M., FEBRUARY 24

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AT MY LUNCH TODAY FOR EC PRESIDENT ORTOLI, ATTENDED

BY FRED DENT AND BILL SEIDMAN, PRESIDENT ORTOLI EXPRESSED DEEP CONCERN OVER PROTECTIONIST PRESSURES IN THE U.S., AND URGED THAT WE RESIST ALL FORMS OF TRADE RESTRICTIVE ACTIONS. IN ORTOLI'S VIEW, IT SHOULD BE EASIER TO RESIST THESE PRESSURES AS RECOVERY FROM THE RECESSION BUILDS, BUT 1976 WILL BE A DANGEROUS YEAR FOR TRADE POLICY. MOREOVER, IT IS DIFFICULT FOR EUROPEANS TO UNDERSTAND PROTECTIONIST ACTIONS BY THE U.S. WHILE WE MAINTAIN A LARGE TRADE SURPLUS PARTICULARLY WITH EUROPE. FINALLY, HE IS CONCERNED THAT TRADE MEASURES BY THE U.S. WILL RESULT IN A TRADE WAR AND MAKE IT HARDER FOR OTHER COUNTRIES WITH LESS FAVORABLE TRADE BALANCES TO RESIST THEIR OWN DOMESTIC PRESSURES.

IN RESPONSE, WE NOTED THAT THE U.S. HAS BY AND LARGE AVOIDED SIGNIFICANT TRADE RESTRICTIVE ACTIONS, BUT IN CASES DECIDED BY THE INTERNATIONAL TRADE COMMISSION, SUCH AS SPECIALTY STEEL AND SHOES, WE RISK A CONGRESSIONAL OVERRIDE IF OUR ACTIONS ARE NOT BASED ON A SOUND ASSESSMENT OF DOMESTIC AS WELL AS INTERNATIONAL CONSIDERATIONS.

ON OTHER ISSUES, INCLUDING PREPARATIONS FOR THE GATT MULTILATERAL TRADE NEGOTIATIONS, US-EC POLITICAL CONSULTATIONS, AND OUR JOINT RELATIONSHIP WITH DEVELOPING COUNTRIES, PRESIDENT ORTOLI WAS HIGHLY POSITIVE ABOUT THE GOOD STATE OF RELATIONS BETWEEN US.

IN RESPONDING TO HIS MAJOR CONCERN ABOUT TRADE RESTRICTIVE MEASURES, I SUGGEST THE FOLLOWING POINTS BE MADE, WHICH DRAW ON THE BRIEFING MATERIAL WE SENT YOU EARLIER:

-- WE ARE EQUALLY CONCERNED ABOUT THE BUILDUP OF PROTECTIONIST PRESSURES. IT IS ESSENTIAL THAT WE WORK TOGETHER CLOSELY ON THESE PROBLEMS.

-- WE HAVE BEEN USING OUR FLEXIBILITY TO THE MAXIMUM, PARTICULARLY IN AREAS SUCH AS COUNTERVAILING AND SECTION 301 COMPLAINTS. HOWEVER, YOU MUST UNDERSTAND THAT THE LEGAL PROCESSES SET DOWN IN THE LAW MUST BE CONFIDENTIAL

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FOLLOWED. A SERIES OF INVESTIGATIONS OF TRADE COMPLAINTS MAY PRESENT A MISLEADING APPEARANCE, BUT THEY ARE UNAVOIDABLE AND IN NO WAY REFLECT ON OUR DESIRE TO MANAGE OUR TRADE RELATIONS SUCCESSFULLY.

-- THE ISSUE IS NOT A SIMPLE ONE- THERE ARE REAL POLITICAL CONSTRAINTS ON OUR FREEDOM OF ACTION. ALSO, THE LAW GIVES THE CONGRESS A GREAT DEGREE OF INVOLVE-

MENT IN SPECIFIC TRADE QUESTIONS SUCH AS STEEL AND
SHOES. ANY EXECUTIVE DETERMINATION MUST BE CAREFULLY
CONSTRUCTED SO AS NOT TO RESULT IN CONGRESSIONAL
OVERRIDE WHICH WOULD PUT THE ITC RECOMMENDATIONS FOR
QUOTAS AND INCREASED TARIFFS AUTOMATICALLY INTO

EFFECT. WITHIN THESE CONSTRAINTS, I REMAIN COMMITTED
TO A LIBERAL TRADE POLICY AND JOINT MANAGEMENT OF
CONFLICTS. INGERSOLL

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